

ANNUAL FINANCIAL REPORT

of the

**UNIVERSITY OF NORTH TEXAS SYSTEM
ADMINISTRATION**

DALLAS, TEXAS

Lee Jackson, Chancellor

For the Year Ended August 31, 2016

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November 18, 2016

Mr. Lee Jackson, Chancellor
University of North Texas System
1901 Main Street
Dallas, Texas 75201

Dear Chancellor Jackson:

We are pleased to submit the annual financial report of the University of North Texas System for the year ended August 31, 2016, in compliance with Texas Government Code Annotated, Section 2101.011, and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) Statement No. 34, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all requirements in this statement. The financial report will be considered for audit by the state auditor as part of the audit of the State of Texas *Comprehensive Annual Financial Report (CAFR)*; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Jane-Anne Kanke (940) 565-3214.

Sincerely,

Jane-Anne Kanke, MBA
Senior Director, Financial Systems Support & Reporting
UNT System

Approved:

Janet Waldron
Vice Chancellor for Finance
UNT System

C. Aaron LeMay, JD, CPA, M.S. Ed
Interim Associate Vice Chancellor for Finance & System
Controller

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UNIVERSITY OF NORTH TEXAS SYSTEM ADMINISTRATION

ORGANIZATIONAL DATA

August 31, 2016

BOARD OF REGENTS

Donald Potts (*Term expires 5-22-17*) Dallas
Al Silva..... (*Term expires 5-22-17*) San Antonio
Milton B. Lee..... (*Term expires 5-22-17*) San Antonio

Rusty Reid (*Term expires 5-22-19*) Ft. Worth
Gwyn Shea (*Term expires 5-22-19*) Irving
B. Glen Whitley (*Term expires 5-22-19*)Hurst

Brint Ryan (*Term expires 5-22-21*) Dallas
A.K. Mago..... (*Term expires 5-22-21*) Dallas
Laura Wright (*Term expires 5-22-21*) Dallas

STUDENT REGENT

Christopher Lee..... (*Term expires 5-31-17*) Houston

OFFICERS OF THE BOARD

Brint Ryan Chairman
Donald Potts Vice Chairman
Rosemary R. Haggett Secretary

ADMINISTRATIVE OFFICERS

Lee F. Jackson Chancellor
Janet Waldron.....Vice Chancellor for Finance

UNIVERSITY OF NORTH TEXAS SYSTEM ADMINISTRATION (769)
Statement of Net Position
As of August 31, 2016

	August 31, 2016
ASSETS	
Current Assets	
Cash and Cash Equivalents:	
Cash in Bank	\$ 957,838.58
Cash Equivalents	4,088,036.31
Legislative Appropriations	2,083,537.99
Receivables From:	
Other Receivables	164,261.50
Due from Other Components	27,331,188.56
Consumable Inventories	6,929.49
Merchandise Inventories	51,398.40
Pre-Paid Items	578,753.88
Total Current Assets	\$ 35,261,944.71
Non-Current Assets	
Investments (Note 3)	\$ 5,396,632.04
Capital Assets (Note 2):	
Non-Depreciable or Non-Amortizable	5,220,781.16
Depreciable or Amortizable, Net	50,196,212.25
Total Non-Current Assets	\$ 60,813,625.45
Total Assets	\$ 96,075,570.16
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources	\$ 22,414,275.00
Total Deferred Outflows of Resources	\$ 22,414,275.00
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 118,489,845.16
LIABILITIES	
Current Liabilities	
Payables From:	
Accounts Payable	\$ 3,276,687.33
Payroll Payable	4,224,249.30
Interest	562,868.07
Notes and Loans Payable (Note 4, 5)	20,150,000.00
Revenue Bonds Payable (Note 5, 6)	1,706,262.75
Employees' Compensable Leave (Note 5)	614,809.15
Capital Lease Obligations (Note 5, 8)	1,154,463.32
Total Current Liabilities	\$ 31,689,339.92
Non-Current Liabilities	
Revenue Bonds Payable (Note 5, 6)	\$ 31,574,416.40
Employees' Compensable Leave (Note 5)	2,639,614.10
Capital Lease Obligations (Note 5, 8)	2,484,982.29
Net Pension Liability (Note 5, 9)	118,374,598.00
Total Non-Current Liabilities	\$ 155,073,610.79
Total Liabilities	\$ 186,762,950.71

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	August 31, 2016
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources	\$ 21,022,617.01
Total Deferred Inflows of Resources	\$ 21,022,617.01
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	\$ 207,785,567.72
NET POSITION	
Net Investment in Capital Assets	\$ 17,726,288.56
Unrestricted	(107,022,011.12)
Total Net Position	\$ (89,295,722.56)

Concluded

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UNIVERSITY OF NORTH TEXAS SYSTEM ADMINISTRATION (769)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended August 31, 2016

	August 31,
	2016
OPERATING REVENUES	
Auxiliary Enterprises	\$ 1,940,319.56
Sales of Goods and Services	85,448.60
Other Operating Revenues	70,657.84
Total Operating Revenues	\$ 2,096,426.00
OPERATING EXPENSES (1)	
Instruction	\$ (17,324.79)
Research	(3,190.57)
Public Service	(1,961.68)
Academic Support	28,354.09
Student Services	(5,286.79)
Institutional Support	56,621,952.46
Operation and Maintenance of Plant	2,187,302.26
Scholarships and Fellowships	(112.59)
Auxiliary Enterprises	2,522,537.07
Depreciation and Amortization	5,345,159.70
Total Operating Expenses	\$ 66,677,429.16
Operating Loss	\$ (64,581,003.16)
NONOPERATING REVENUES (EXPENSES)	
Legislative Appropriations (GR)	\$ 5,350,223.00
Additional Appropriations (GR)	3,294,472.59
Investment Income	109,762.20
Interest Expense and Fiscal Charges	(1,209,862.27)
Loss on Sale of Capital Assets	(59,213.02)
Net Increase in Fair Value of Investments	372,524.67
Other Nonoperating Revenues	118,736.18
Other Nonoperating Expenses	(173,879.92)
Total Nonoperating Revenues (Expenses)	\$ 7,802,763.43
Loss Before Other Revenues, Expenses and Transfers	\$ (56,778,239.73)
OTHER REVENUES, EXPENSES AND TRANSFERS	
Interagency Transfers of Capital Assets-Decrease	\$ (460,309.04)
Interagency Transfers of Capital Assets-Increase	1,050,023.18
Legislative Transfers In	6,824,103.82
Legislative Transfers Out	(3,499,656.00)
Transfers Between Components	49,600,586.03
Total Other Revenues, Expenses and Transfers	\$ 53,514,747.99
CHANGE IN NET POSITION	\$ (3,263,491.74)
Beginning Net Position	\$ (86,032,230.82)
ENDING NET POSITION	\$ (89,295,722.56)

(1) See Matrix of Operating Expenses Reported by Function.

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UNIVERSITY OF NORTH TEXAS SYSTEM ADMINISTRATION (769)
 Matrix of Operating Expenses Reported by Function
 For the Year Ended August 31, 2016

Operating Expenses	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total Expenditures
Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,857,930.97	\$ 1,422,546.23	\$ -	\$ 111,563.19	\$ -	\$ 33,392,040.39
Payroll Related Costs	(28,882.56)	(5,319.06)	(3,270.39)	(10,777.20)	(8,813.71)	8,517,611.62	464,567.50	(187.71)	27,214.64	-	8,952,143.13
Professional Fees and Services	-	-	-	18,000.00	-	7,747,135.78	93,338.41	-	538,465.18	-	8,396,939.37
Travel	-	-	-	5.00	-	478,598.23	9,118.37	-	(34.60)	-	487,687.00
Materials and Supplies	-	-	-	16,813.63	-	743,338.98	48,795.00	-	46,961.62	-	855,909.23
Communications and Utilities	-	-	-	-	-	1,822,929.23	17,121.36	-	304,239.73	-	2,144,290.32
Repairs and Maintenance	-	-	-	-	-	3,070,038.20	92,097.98	-	926,043.22	-	4,088,179.40
Rentals and Leases	-	-	-	-	-	1,215,542.90	5,356.69	-	121,904.67	-	1,342,804.26
Printing and Reproduction	-	-	-	-	-	118,810.47	2,408.13	-	7,225.03	-	128,443.63
Depreciation and Amortization	-	-	-	-	-	-	-	-	-	5,345,159.70	5,345,159.70
Claims and Losses	-	-	-	-	-	3,500.00	-	-	-	-	3,500.00
Other Operating Expenses	11,557.77	2,128.49	1,308.71	4,312.66	3,526.92	1,046,516.08	31,952.59	75.12	438,954.39	-	1,540,332.73
Total Operating Expenses	\$ (17,324.79)	\$ (3,190.57)	\$ (1,961.68)	\$ 28,354.09	\$ (5,286.79)	\$ 56,621,952.46	\$ 2,187,302.26	\$ (112.59)	\$ 2,522,537.07	\$ 5,345,159.70	\$ 66,677,429.16

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UNIVERSITY OF NORTH TEXAS SYSTEM ADMINISTRATION (769)
Statement of Cash Flows
For the Year Ended August 31, 2016

	August 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from Auxiliaries	\$ 1,906,426.66
Proceeds from Other Revenues	20,602.77
Payments to Suppliers for Goods and Services	(18,028,144.95)
Payments to Employees	(38,941,013.66)
Payments for Other Expenses	(3,500.00)
Net Cash Provided (Used) by Operating Activities	\$ (55,045,629.18)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from State Appropriations	\$ 4,566,300.51
Proceeds from Transfers from Other Components	51,109,233.84
Proceeds from Legislative Transfers	6,824,103.82
Proceeds from Other Revenues	118,736.18
Payments for Legislative Transfers	(3,499,656.00)
Payments for Other Uses	(180.00)
Net Cash Provided (Used) by Noncapital Financing Activities	\$ 59,118,538.35
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Sale of Capital Assets	\$ 2,000.00
Proceeds from Debt Issuance	34,681,941.90
Payments for Additions to Capital Assets	(6,060,776.88)
Payments for Capital Leases	(1,099,488.88)
Payments of Principal on Debt Issuance	(34,900,000.00)
Payments of Other Costs of Debt Issuance	(173,699.92)
Payments of Interest on Debt Issuance	(1,266,593.28)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (8,816,617.06)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sale of Investments	\$ 3,612,003.82
Proceeds from Interest and Investment Income	109,762.20
Net Cash Provided (Used) by Investing Activities	\$ 3,721,766.02
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ (1,021,941.87)
Cash and Cash Equivalents, September 1, 2015	\$ 6,067,816.76
Cash and Cash Equivalents, August 31, 2016	\$ 5,045,874.89

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UNIVERSITY OF NORTH TEXAS SYSTEM ADMINISTRATION (769)
Statement of Cash Flows
For the Year Ended August 31, 2016

	August 31, 2016
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Loss	\$ (64,581,003.16)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	\$ 5,345,159.70
Pension Expense	(55,742.71)
Employee Benefits Paid by State	2,675,749.44
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	1,441,151.84
(Increase) Decrease in Inventories	(34,995.44)
(Increase) Decrease in Prepaid Expenses	126,710.29
Increase (Decrease) in Payables	1,220,941.65
Increase (Decrease) in Unearned Revenue	(1,610,548.41)
Increase (Decrease) in Other Liabilities	426,947.62
Total Adjustments	\$ 9,535,373.98
Net Cash Provided (Used) by Operating Activities	\$ (55,045,629.18)
 NON-CASH TRANSACTIONS	
Net Change in Fair Value of Investments	\$ 372,524.67
Gain (Loss) on Sales/Disposals of Capital Assets	(59,213.02)
Amortization of Bond Premiums (Discounts)	184,344.74
Capital Assets Acquired with Payables	348,317.32
Interagency Transfer of Capital Assets	589,714.14

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UNIVERSITY OF NORTH TEXAS SYSTEM ADMINISTRATION (769)
 Schedule 2A - Miscellaneous Bond Information
 For the Year Ended August 31, 2016

Description of Issue	Bonds Issued to Date	Range of Interest Rates	Terms of Variable Interest Rates	Scheduled Maturities		First Call Date
				First Year	Last Year	
RFS Refunding Bonds, Series 2015A	12,580,000.00	5.0000% - 5.0000%	N/A	2021	2035	4/15/2025
RFS Refunding Bonds, Series 2015B	5,030,000.00	4.0000% - 5.0000%	N/A	2016	2021	N/A
RFS Refunding Bonds, Series 2015C	14,140,000.00	2.4460% - 10.0000%	N/A	2016	2033	12/1/2018
Total	\$ 31,750,000.00					

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UNIVERSITY OF NORTH TEXAS SYSTEM ADMINISTRATION (769)
 Schedule 2B - Changes in Bonded Indebtedness
 For the Year Ended August 31, 2016

Description of Issue	Bonds Outstanding 09/01/15	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/16	Unamortized Premium	Net Bonds Outstanding 08/31/16	Amounts Due Within One Year	Bonds Outstanding 08/31/16
RFS Bonds, Series 2007	\$ 14,485,000.00	\$ -	\$ 420,000.00	\$ 14,065,000.00	\$ -	\$ -	\$ -	\$ -	\$ -
RFS Refunding Bonds, Series 2015A	-	12,580,000.00	-	-	12,580,000.00	2,135,679.15	14,715,679.15	171,262.75	14,544,416.40
RFS Refunding Bonds, Series 2015B	-	5,030,000.00	605,000.00	-	4,425,000.00	-	4,425,000.00	895,000.00	3,530,000.00
RFS Refunding Bonds, Series 2015C	-	14,140,000.00	-	-	14,140,000.00	-	14,140,000.00	640,000.00	13,500,000.00
Total	\$ 14,485,000.00	\$ 31,750,000.00	\$ 1,025,000.00	\$ 14,065,000.00	\$ 31,145,000.00	\$ 2,135,679.15	\$ 33,280,679.15	\$ 1,706,262.75	\$ 31,574,416.40

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UNIVERSITY OF NORTH TEXAS SYSTEM ADMINISTRATION (769)

Schedule 2C - Debt Service Requirements

For the Fiscal Year Ended August 31, 2016

<u>Description of Issue</u>	<u>Year</u>	<u>Principal</u>	<u>Interest*</u>
Revenue Bonds			
RFS Bonds, Series 2015A	2017	\$ -	\$ 629,000.00
	2018	-	629,000.00
	2019	-	629,000.00
	2020	-	629,000.00
	2021	50,000.00	629,000.00
	2022-2026	4,475,000.00	2,685,000.00
	2027-2031	4,475,000.00	1,566,250.00
	2032-2035	3,580,000.00	447,500.00
		<u>\$ 12,580,000.00</u>	<u>\$ 7,843,750.00</u>
RFS Bonds, Series 2015B	2017	\$ 895,000.00	\$ 77,249.06
	2018	895,000.00	67,932.10
	2019	895,000.00	55,625.86
	2020	895,000.00	39,668.00
	2021	845,000.00	20,846.16
			<u>\$ 4,425,000.00</u>
RFS Bonds, Series 2015C	2017	\$ 640,000.00	\$ 384,223.11
	2018	700,000.00	325,929.50
	2019	720,000.00	308,685.20
	2020	740,000.00	290,951.70
	2021	750,000.00	272,790.15
	2022-2026	4,040,000.00	1,077,768.75
	2027-2031	4,560,000.00	2,270,250.00
	2032-2033	1,990,000.00	250,250.00
			<u>\$ 14,140,000.00</u>
Total		<u>\$ 31,145,000.00</u>	<u>\$ 13,285,919.59</u>

* In accordance with the State Comptroller's reporting requirements, the interest amounts on this schedule represent interest expense per the bond amortization schedules rather than interest on a full accrual basis.

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UNIVERSITY OF NORTH TEXAS SYSTEM ADMINISTRATION (769)
 Schedule 2D - Analysis of Funds Available for Debt Service
 For the Year Ended August 31, 2016

Description of Issue	Pledged and Other Sources and Related Expenditures			
	Total Pledged and Other Sources	Operating Expenses/ Expenditures & Capital Outlay	Debt Service	
			Principal	Interest *
RFS Bonds '15A, '15B & '15C	\$ 18,534,572.99	\$ 324,807.50	\$ 1,025,000.00	\$ 1,027,568.46
Total	\$ 18,534,572.99	\$ 324,807.50	\$ 1,025,000.00	\$ 1,027,568.46

* In accordance with State Comptroller reporting requirements, the interest amounts on this schedule represent interest expense per the bond amortization schedules rather than interest on a full accrual basis.

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UNIVERSITY OF NORTH TEXAS SYSTEM ADMINISTRATION (769)
 Schedule 2F - Early Extinguishment and Refunding
 For the Year Ended August 31, 2016

Description of Issue	Category	Amount Extinguished or Refunded	For Refundings Only		
			Refunding Issued Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Revenue Bonds					
RFS Bonds, Series 2007	Current Refunding	\$ 14,065,000.00	\$ 14,140,000.00	\$ 2,754,279.59	\$ 1,383,966.18
	Total	\$ 14,065,000.00	\$ 14,140,000.00	\$ 2,754,279.59	\$ 1,383,966.18